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TO RUEHC/SECSTATE WASHDC 0981
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEAWJA/DEPT OF JUSTICE WASHINGTON DC
RUEHKO/AMEMBASSY TOKYO 2851
RUEHBJ/AMEMBASSY BEIJING 5735
RUEHBY/AMEMBASSY CANBERRA 3408
RUEHUL/AMEMBASSY SEOUL 5234
RHEHNSC/NSC WASHDC
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 02 JAKARTA 002262

SIPDIS

DEPT FOR OES/ENRC, EAP/MTS, EAP/RSP
OES/ENRC FOR MJOHNSEN
USTR FOR MLINSCOTT, DBROOKS
USAID FOR ANE, EGAT
BANGKOK FOR RDM/A
NSC FOR CEQ CONNAUGHTON, VAN DYKE
USFS FOR CMACKIE
JUSTICE FOR ECOLBOURN

E.O. 12958: N/A

TAGS: SENV E�ID EAGR KGHG ETRD EINV ID
SUBJECT: AMENDED LACEY ACT IMPLEMENTATION: INDONESIAN VIEWS

REF: STATE 126654

¶1. Summary. Indonesians are expressing both considerable enthusiasm for as well as some concern about the amended Lacey Act. Many of the concerns are based on misunderstanding how the amended Lacey Act will be implemented and what it requires. The wood industry appreciates the Act's intent to combat illegal logging and views this as an opportunity to position Indonesia as a leading exporter of legally harvested timber. Both government and industry are eager for frequent updates on the import declaration requirement and phase-in schedule, to avoid misunderstandings and ease concerns.
End Summary.

Wide Audience Informed About Lacey Act

¶2. Post conveyed the amended Lacey Act implementation information to a combined Government of Indonesia (GOI) and wood industry audience on December 3. Approximately 30 representatives of the Ministry of Forestry, Ministry of Trade, National Forestry Council, Indonesian Association for Forest Concession Holders (APHI), Forest Industry Revitalization Agency (BRIK), and Indonesian Furniture Industry and Handicraft Association, as well as individual timber companies, attended the meeting. These interlocutors also attended a December 10 seminar jointly sponsored by USAID, the EU Commission, and several NGOs, at which Senior Trial Attorney Elinor Colbourn of the U.S. Department of Justice (DOJ) gave a presentation on the amended Lacey Act and its implementation.

A Warm Welcome, Despite Some Concerns

¶3. Industry representatives and officials appreciated the Lacey Act, stating that illegal logging is detrimental to Indonesia's wood industry and welcoming "every effort to combat illegal logging". Others said that they respect the Lacey Act's intent, and singled out the non-discriminatory nature of the Lacey Act's requirements. Some hoped that the Lacey Act implementation would lead to higher prices for Indonesian timber and wood products over the longer term. Another private sector representative stated that the Lacey Act is "more positive than negative; it will change us, make us more careful and responsible [in business practices] ". The Executive Director of LEI, the Indonesian Eco-labeling Institute, took the opportunity to underscore for the Indonesian audience -- in light of the Lacey Act -- the importance of implementing a credible Indonesian wood legality verification standard that has the force of

law. This draft standard, the Standar Verifikasi Legalitas Kayu (SVLK), is awaiting final approval from the Ministry of Forestry.

Concerns: Some Misinformation, Much Misunderstanding

¶4. Industry representatives and officials initially expressed concerns about their ability to meet the Lacey Act requirements. The biggest concerns stemmed from a lack of knowledge about what will be required, as well as from some completely inaccurate information. These concerns were mostly dispelled over the course of the two separate meetings, but there is a clear desire for continued and frequent updates from the USG about the Lacey Act.

¶5. Embassy representatives and the DOJ's Elinor Colbourn are responding to the concerns/complaints (listed below), many of which are based on erroneous information.

-- Declaration requirement will be onerous and impose burdensome transaction costs on Indonesian firms. The declaration requirement is therefore a de facto trade barrier.

-- Declaration is mandatory beginning December 15.

-- Firms will not be ready to provide required information by April 1, when the USDA plans to begin the phased-in enforcement of the declaration requirement.

-- Indonesians will face difficulty identifying the different wood species, particularly in mixed-wood products (plywood, particleboard, pulp and paper, etc.). The (potential) resulting inaccurate declarations will lead to prosecutions of Indonesian companies.

-- Furniture products have to be sourced exclusively from plantation forests beginning July 2009.

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-- Indonesians will have no further opportunity to comment on the implementation process later on.

-- The declaration requires a certificate of legality.

-- It will be difficult to prove legality because new Indonesian legality standard is not yet in force.

-- U.S. laws will determine legality of wood imports.

Indonesian Stress Need for More Information

¶6. Both government and industry are eager for frequent updates on the import declaration requirement and phase-in schedule, to avoid misunderstandings and ease concerns. One timber concession executive, after hearing the answers to some of his questions, stated that GOI officials had provided some inaccurate information about the amended Lacey Act and its implementation. He and others stressed the need to disseminate accurate information to a wider Indonesian audience, now and in the coming months. (Note: Although the USG has kept the members of the bilateral working group on illegal logging informed about Lacey Act developments, they do not appear in turn to have conveyed this information to other Indonesian officials and industry representatives. End Note.)

¶7. Representations by Embassy Officers and DOJ attorney helped to dispel many misunderstandings and allay concerns. For example, we clarified that the novel elements of the declaration are limited to information on the country where the plant material (wood) was harvested, and the genus and species; the declaration does not require information on legality, and it is voluntary from December 15 until April 1, 2009. We emphasized that legality will be determined by the applicable laws of the exporting country (i.e. Indonesia) and that, by and large, legitimate companies exercising due care and paying closer attention to their supply chains should be able to provide the required information without much additional effort or expense. We also pointed out that the phase-in schedule is subject to change, and will take into account feedback from concerned parties.

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